

Approved For Release 2001/03/02 : CIA-RDP78-01617A000600010006-5

Office Memorandum • UNITED STATES GOVERNMENT

DATE: July 25, 1949.

STATINTL

TO : CIA: [REDACTED]
FROM : OIR: W.E. Dunn
SUBJECT: ORE:IM-190

STATINTL

Confirming my telephone conversation
with [REDACTED] I am sending you herewith
a memorandum prepared by IFI concerning
the subject report.

Army/State Declass/Release Instructions On File

OIR:WEDunn:jg

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Code 191 X-5431

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Office Memorandum • UNITED STATES GOVERNMENT

TO : OIR/ICS: Mr. William E. Dunn

DATE: July 19, 1949

FROM : IFI: Marion Worthington *Marion Worthington*

SUBJECT: CIA Intelligence Memorandum No. 190 Entitled: Dependence of the U.S.S.R. on Imports of Tin.

My general reaction to this report is that some of the information on which it is based is unreliable. However, I can be wrong and would like very much to talk to the author of the report. I shall deal with specific points:

Paragraph 1, Sentence 2.

As far as I know, there have been no recently intensified efforts on the part of the U.S.S.R. to obtain tin through trade agreements with the U.K., Belgium and Netherlands. The last reports of this activity were almost a year and a half ago. I am quite sure if there were anything brewing on this I would have heard of it directly from some of the representatives of the countries concerned.

Paragraph 2, Line 1.

Although I am acquainted with the ECA cable in which this "reliable report" appeared, I doubt that this was much more than a rumor. It was supposed to have originated in the Hague and the Dutch Minister here in Washington has had no notice of it as yet, although he has made inquiries. Furthermore, the Soviets have made no move to apply to the Combined Tin Committee for an allocation.

Paragraph 2, Line 4.

I remember seeing a rumor somewhere else that 400 tons of tin were exported from the Netherlands during the first quarter of 1949. However, the report of the Netherlands Government covering that period shows no such shipment. I should like very much to investigate this matter further with the CIA, if there is a way of doing it. If there are sufficient grounds, I can speak to the Netherlands Embassy about it. The Combined Tin Committee, of course, does not sanction such a shipment (a fact which the CIA could have found out if they had taken the trouble).

This report is a typical example of CIA reporting in a "sterile atmosphere". Whoever prepared this report completely missed the only real problem regarding U.S.S.R. tin, which has recently come before the State Department and to a certain extent other Government agencies and that is whether or not U.S. Government is willing to balance the disadvantages which might come of allowing tin to flow to Russia against the advantages of abandoning various controls.

This is a typical example of State thinking

IFI:MWorthing:hgd

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DRAFT

Memorandum to William E. Dunn, Department of State
From CIA

Subject: Criticism of CIA Intelligence Memorandum No. 190 entitled:

Dependence of the USSR on Imports of Tin, dated July 1, 1949.

Reference: Your Memorandum of July 19, 1949
Paragraph 1, sentence 2.

1. Your attention to Incoming Telegram from London No. 2928, July 25, 1949 to Secretary of State signed by Douglas on possibility Soviets might not sign trade agreement with Britain if they did not get 3000 tons tin. While 3000 tons of tin would not be much in the economy of the US, it would be very important indeed to the USSR.
2. Your attention to Report No. 494 from American Embassy, London, May 9, 1949. Subject: United Kingdom - USSR Trade Arrangements.
3. Army Report No. R-1595-49 from London dated May 10, 1949 on Recent Developments in British Trade with Eastern Europe.

Paragraph 2, Line 1.

Ambassador Harriman in his cable, 4506 of June 3, 1949, to ECA Administrator Hoffman did not doubt the information given by Haffner, strategic material officer, Hague Mission.

Why should they apply to Combined Tin Committee for allocation if they can get tin from Netherlands without allocation?

Paragraph 2, Line 4.

1. See Incoming Airgram A-487 of May 20, 1949 from The Hague signed by Ambassador Baruch reporting 400 tons of tin exported to USSR in first quarter of 1949 by the Netherlands.
2. See Incoming Airgram A-101 of February 4, 1949 from The Hague reporting the Netherlands shipped USSR 600 tons tin value 2,258,000 guilders in October-December, 1948.
3. See Incoming Airgram of March 15, 1949 from Antwerp Belgium to Department of State. "3,200 pigs of tin from Antwerp on March 12, 1949 for KALIPEDA on S S PRAVDA."
4. See Incoming Airgram, A-63 of March 22, 1949 from Antwerp, Belgium to Secretary of State. 1. "SSKAPITAN CASTELLO". Date of departure from Antwerp, March 19, 1949, to Rostock. Outgoing cargo includes 1,200 ingots of tin. (signed) Steindorf.

Referring to the last sentence in State Memorandum of July 19, 1949 the CIA was well aware of the conditions under which the Combined Tin Committee makes allocation as will be apparent if the 1st Paragraph of IM No. 190 is read. Also the writer was in close touch with the formation of the International Tin Committee and has kept track of developments since then.

Paragraph 5, Line 2

It would be enlightening and welcome to have State set forth the policy of shipping tin to the USSR.

Incoming Telegram

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Control 9530

Recd July 26, 1949. 1:17 pm

FROM: London
TO: Secretary of State
No: 2928, July 25, 9 pm

REEMBTEL 2725 July 12 repeated Paris 530, Moscow 86.

Stacy, BOT, informed Embassy today Russians for second time have asked British include 3000 tin metal as condition for reaching trade agreement. BOT preparing refuse at meeting with Russians tomorrow but warned that Foreign Office may soon raise with Embassy question of US reaction to possibility British debt to provide 3000 tons when and if international allocation terminated. Stacy stressed fact 3000 tons not large enough permit stockpiling and that UK in its 5-year agreement with Poland had undertaken within CTC allocations to facilitate supply tin not exceeding 1000 tons annually 1949-1953.

BOT uncertain why Russians putting so much emphasis therefore on such relatively small amount of metal and are uncertain whether refusal to supply it would mean impossibility reaching trade agreement and cancellation coarse grain contract. Minister of Defense has cleared item.

Regarding coarse grains, Ministry of Food contract involves one million tons, not 900,000 as reported reference telegram, of which 500,000 barley, 400,000 corn and 100,000 oats.

Embassy representative told Stacy hitherto Washington had not requested tin be placed on I-A list only because it was subject international allocation and that otherwise British might have been requested consider it for I-A control. Department's reaction including 3000 tons tin UK-USSR trade agreement for 1950 desired soonest particularly if refusal supply metal would actually mean both failure reaching trade agreement and cancellation grain contract.

Repeated Moscow 90, Paris 571.

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DOUGLAS

WMH:McC

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Encl. No. 1 in Report 494 of May 9, 1949 from the Embassy in London.

UNITED KINGDOM-USSR TRADE ARRANGEMENTS

Status of negotiations as of May 5, 1949 for a new
12-months' Agreement.

Comparable figures for 1948 trade are also included.

<u>United Kingdom Exports</u>	<u>1948</u>	<u>Planned Trade under Proposed Agreement July 1 1949-June 30 1950</u>	
Capital goods under Agreement	£ 4,000,000	Light rails	£ 15,000,000
Capital goods, other	14,000,000	Tinplate	
Rubber	12,000,000	Rubber	
Other items, incl. cotton	13,000,000	Cotton	
Total Russian sterling expenditure	£ 43,000,000		£ 40,000,000
<u>United Kingdom Imports</u>			
Grains, timber, potash, etc.	£ 35,000,000	Timber	
Transfer from third countries	8,000,000	Coarse grains	
		Wheat - a "little"	
		Manganese	250,000
Total Russian sterling receipts	£43,000,000		£40,000,000
USSR sterling balance May 1949	£ 7,000,000		

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Army, MA London R-1595-49 May 10, 1949

Extract. Par. 1. from Recent Developments in BR Trade with E. Eur.

The British and the Russians are now in the process of negotiating a one year trade agreement to cover the period 1 July 1949 - 30 June 1950. Discussions have been proceeding surprisingly smoothly. Board of Trade officials are at a loss to explain the cordiality of the Soviet representatives, but their guess is that it is prompted by the recently initiated "peace offensive", by the low level of Soviet sterling reserves caused by large purchases of raw materials (especially rubber) from the sterling area and capital equipment from the UK, and by the desire to keep Britain dependent on the Soviet Union for a part of its supply of coarse grains. The Russians have requested only two items on the British 1A list, industrial diamonds and tin. In both cases the British refused to comply with the Russian request. It is expected that the agreement will be signed in about a month and will provide for trade valued at 30 to 40 million pounds each way.

Harry C. Archer
Major, GSC
Exed. Officer.

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